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POSITION PAPER: INCOME INEQUALITY

The economic boom of the last decade has been a bust for a large percentage of the population. While the media has focused on the rising stock market and the fabulous riches of the new technology set, ordinary working Americans have seen their standard of living decline.

Just a few signs of the times:

Weekly wages for average workers in 1998 were 12 percent below 1973, adjusting for inflation. Average workers are earning less, adjusting for inflation, than they did when Richard Nixon was president. Productivity grew nearly 33 percent in the same period.

CEO pay skyrocketed by 481 percent from 1990 to 1998. Meanwhile, worker pay rose only 28 percent (just 5.5 percent more than inflation), the S&P 500 Index rose 224 percent, and corporate profits rose 108 percent. The ratio between highest paid and average workers in the U.S., according to Business Week has increased from 40 to one in 1980 to 419 to one in 1998.

Declining real net worth for millions of Americans. Most American households have lower net worth than they did in 1983. The inflation-adjusted net worth of the median household fell from \$54,600 in 1989 to \$49,900 in 1997.

The benefits of the rising stock market go to few people. Almost 90 percent of the value of all stocks and mutual funds owned by households is held by the richest 10 percent. An estimated 86 percent of the benefits of the increase in the stock market between 1989 and 1997 went to the top 10 percent of households, with 42 percent going to the richest one percent.

Wealth is Concentrating. Since the mid-1970s, the top 1 percent of households have doubled their share of the national wealth from 19 percent

to 42 percent. The top one percent of households have more wealth than the entire bottom 95 percent, as of 1997.

Families have sunk deeper into debt. Household debt as a percentage of personal income rose from 58 percent in 1973 to an estimated 85 percent in 1997.

The Racial Wealth Gap Grows. The median black household had a net worth of just \$7,400 in 1995—about 12 percent of the \$61,000 in median wealth for whites. Median black financial wealth was just \$200—a mere 1 percent of the \$18,000 in median financial wealth for whites. The median Hispanic household had a net worth of only \$5,000 in 1995—just 8 percent of whites. Median Hispanic financial wealth was actually zero.

THE NEED FOR BOLD ACTION

These conditions cry out for an aggressive educational and legislative campaign that draws attention to these facts and puts forward positive remedies to ensure greater shared prosperity. Economic inequality is the result of two and a half decades of government policies and rules governing the economy being tilted in favor of large asset owners at the expense of wage earners. Tax policy, trade policy, monetary policy, government regulations and other rules have reflected this pro-investor bias.

We propose the introduction or reintroduction of a package of legislative initiatives that will close America's economic divide and address both income and wealth disparities. The Progressive Caucus could take the lead in the formation of a national leadership steering committee to put this dramatic issue before the public through coordinated media campaigns and local education and action forums. The political program should be concerned with:

Reducing wage inequality

Asset-building initiatives

Addressing the over concentration of wealth and power

After a decade of economic prosperity, the moral question remains: if we can't address the persistent economic divide in our nation today, when can we?

REDUCING WAGE INEQUALITY

A program to ensure all Americans share in the prosperity of the decade must address the stagnant wages of ordinary working Americans. The federal minimum wage has lost real value since 1968 and is only 65% of the amount required to lift a family of four to the federal poverty line. We are proposing initiatives to both raise the wage floor and prevent the tax code from subsidizing excessive compensation.

ASSET-BUILDING INITIATIVES

The U.S. government has been involved with helping Americans build assets since its founding. The government has historically given land to citizens. In the years after World War II, the federal government provided billions of dollars of low-interest loans to move almost a fifth of U.S. households from tenancy to home ownership. Unfortunately, the programs were discriminatory toward people of color and kept a whole generation of people off the asset-building train.

What we are proposing is a universal asset building approach that will dramatically reduce the number of "asset less" households and reduce the disparity of wealth for all Americans.

ADDRESSING CONCENTRATION OF WEALTH AND POWER

"We can have a democratic society or we can have great concentrated wealth in the hands of a few. We cannot have both." —Supreme Court Justice Louis Brandeis

Proposals to raise the wage floor and assist lower-income households build assets will reduce inequality, but not fundamentally address the dangers of the over-concentration of wealth in the hands of a few. The concentration of wealth is a problem because it distorts our democracy, destabilizes the economy and erodes our social and cultural fabric. Too much concentrated wealth leads to too much concentrated power and begins to undermine our participatory democracy.